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Ad Hoc Working Group on Expansion
of Trading Opportunities for
Developing Countries
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Agenda item 5

ADOPTION OF THE FINAL REPORT OF THE WORKING GROUP TO THE TRADE AND DEVELOPMENT BOARD

Draft final report of the Ad Hoc Working Group on Expansion of Trading Opportunities for Developing Countries

Addendum

II. RECOMMENDATIONS

77. In the light of the foregoing findings and conclusions, the Group recommends the following actions at the national, regional and international levels, including technical cooperation activities and follow-up action within UNCTAD, with a view to expand effectively the trading opportunities of developing countries.

A. Policies at the national level

1. Building export capabilities in developing countries

In order to foster the development of internationally competitive export supply capabilities, governments of developing countries will need to develop a coherent and effective policy framework, in close partnership with the business community, for addressing critical constraints on building a competitive and diversified export base. Elements of such a policy framework include at the general level: sound macroeconomic management favouring price stability and a realistic exchange rate; fostering of entrepreneurship and competition in the economy; development of human resources and technology; full mobilization of domestic and external financial resources, including through growth-oriented savings and investment policies; and provision of adequate infrastructure (e.g. transportation systems, telecommunication, institutional capacity, etc.).

Specific measures and incentives targeted to sectors and industries with an export potential may also be considered as a short-term mechanism in order to build export supply capabilities and encourage product diversification. Policy measures and incentives - in respect of investment regulations and finance, fiscal and financial incentives, or trade policy instruments - should take into account sector-specific needs. Each developing country would need to choose its own policy mix based on its economic circumstances, particularly the developmental stage of its industries and market-oriented institutions.

Incentives would need to be consistent with the Uruguay Round Agreements. In this context, governments should carefully look into the implications of the results of the Uruguay Round for their trade and development strategy, particularly the rule-making agreements, including the special provisions for developing countries, and their implications for the policy options of developing countries.

Human resources development is a critical strategic element in building export capabilities. Therefore, high priority should be given to investment in human resource development, including the acquisition of skills, efficiency and technical education.

In order to facilitate the flow of foreign direct investment to developing countries, particularly the least developed countries, Governments need to provide a framework to encourage all investment flows, including where appropriate agreements on investment promotion and protection. Financial support through development aid should facilitate investment in sound projects, including joint ventures, in the developing countries, particularly the least developed among them.

2. Expansion and utilization of market opportunities

Countries should proceed as quickly as possible to enact national legislations, where required, to implement their commitments under the Uruguay Round Agreements.

The developed countries and other countries in a position to do so should consider, where appropriate, an advance implementation of their Uruguay Round market access commitments on products of export interest to the least developed countries. In addition, as MFN customs duties come down, GSP preference-giving countries should consider further improvements in their GSP and other schemes by widening preferential margins where possible and inclusion of additional products of export-interest to developing countries.

The process of trade liberalization and globalization of production and trade will put increasing focus on structural adjustment policies and their impact on export opportunities. Developed countries will need to adopt structural adjustment policies conducive to the disengagement of resources from sectors losing their comparative advantage and should promote resource flows into sectors with long-term growth potential and high productivity. Some developing countries as well as economies in transition may have to respond increasingly in the same fashion.

An effective strategy at the national level for taking full advantage of the market opportunities created by the Uruguay Round will be crucial for the expansion of exports. Given the relatively small size of developing-country exporters, export marketing support and other trade-related services may prove essential if

small and medium-sized enterprises are to be able to export and compete on world markets. In this connection, key trade-related services include trade information and market research, quality management, export finance and the trade promotion activities of trade promotion organizations (TPOs). Where appropriate, developing countries should consider the establishment of public and/or private organizations to provide trade-related services.

Trade/import promotion agencies of developed countries could assist developing countries to increase their exports through, inter alia, provision of information and promotional assistance; advice to developing-country trade officials; organizations and individual exporters; export-management training programmes; as well as the funding of export development projects. Provision of better access to communications and information processing technology, by enhancing trade information transmission and decision-making, could assist developing countries in taking advantage of market opportunities.

B. Policies at the regional level

To diversify markets and take full advantage of global trading opportunities, developing countries should strengthen their efforts to expand trade and investment opportunities at the regional level. Regional organizations, as well as international organizations in the trade and financial fields, should provide greater assistance to developing countries for improving their prospects for both intra-regional and inter-regional trade and investments. The needs of the least developed countries being particularly acute, they should be assisted with priority in this regard. Policies and measures need to be adopted to facilitate cooperation at the regional level in the areas of technology, investment financing, export insurance, transport and communication.

Regional integration arrangements centred around major trading nations should contribute to the expansion of world trade. The elimination of intra-regional barriers should be accompanied by the reduction or removal of barriers in trade with third countries. Hence, regional and multilateral approaches should be complementary.

C. Policies at the international level

In order to enhance the effectiveness of policies at the national level,

there is a need for complementary policies at the international level which would promote more open markets, free movement of capital, growth oriented adjustments, more business cooperation, including dissemination of technology, and further increase of external financial resource flows.

It is recommended that better use be made of the computerized information systems available in UNCTAD in order to facilitate the identification of market opportunities arising from trade measures to implement the results of the Uruguay Round. It would be helpful for all interested countries to be made aware of those systems.

Studies should be undertaken in the areas of textiles and clothing, agriculture and services covering, inter alia, trends in the structure of demand and supply, the potential gains for developing countries arising from the Uruguay Round results in these areas, and identification of policy measures at the national and international levels to realize these gains. In this connection, trading opportunities in the short-, medium- and long-term should be identified, taking into account the growth prospect of the world economy including that of various markets and suppliers.

Given that some developing countries, in particular the least developed countries and net food importing countries could experience difficulties, in the short and medium term, to take advantage of expanded trading opportunities as well as to overcome challenges resulting from the Uruguay Round, it is recommended that studies be undertaken to identify policy measures at the national and international levels to overcome those difficulties, taking into account mechanisms for assisting such countries envisaged in the ministerial decisions and declarations contained in the Final Act of the Uruguay Round.

The trade and investment promotion agencies of developed and developing countries are invited to consider appropriate modalities for identifying new trading and investment opportunities, in particular sectors and markets, for the benefit of developing countries, particularly the least developed amongst them.

Developed and developing countries should cooperate at the international level to bridge the information gap of developing countries with respect to environmental rules and regulations in major markets, to ensure greater coordination among Governments as regards the development of mutually recognized

environmental regulations and standards (including eco-labelling) and to reduce the cost of compliance by developing countries, particularly the least developed among them, with environmental standards higher than have existed hitherto in the world economy. In this connection, given the growing international concern about the environment and ecologically sustainable development, increased international cooperation in the transfer of technology would be essential to expand the trading opportunities for developing countries based on environmentally friendly production processes and products.

As tariff and non-tariff barriers come down, there is a need to examine the interface between competition and international trade with particular emphasis on the trading opportunities of developing countries; and continue to develop international guidelines on competition policy.

There is a need for further intergovernmental deliberation and global consensus-building on the new and emerging issues of the international trade agenda, such as trade and environment and competition policy, thus contributing to a better understanding of such issues, including their development implications for developing countries.

Bilateral, regional and multilateral aid donors, as well as relevant international organizations, are invited to consider favourably the inclusion of the technical cooperation activities identified in paragraphs 63 to 75 above in their technical cooperation programmes.